

VZCZCXRO0458  
RR RUEHBC RUEHDE RUEHDIR RUEHKUK RUEHLN RUEHSK RUEHTRO RUEHVK RUEHYG  
DE RUEHDBU #0997/01 2371119  
ZNR UUUUU ZZH  
R 251119Z AUG 09  
FM AMEMBASSY DUSHANBE  
TO RUEHC/SECSTATE WASHDC 0682  
INFO RUCNCIS/CIS COLLECTIVE  
RUEHBUL/AMEMBASSY KABUL 0222  
RUEHIL/AMEMBASSY ISLAMABAD 0146  
RUEATRS/DEPT OF TREASURY WASHINGTON DC  
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC  
RUEAIIA/CIA WASHDC  
RUCNIRA/IRAN COLLECTIVE  
RUEHDBU/AMEMBASSY DUSHANBE 1423

UNCLAS SECTION 01 OF 03 DUSHANBE 000997

SENSITIVE  
SIPDIS

DEPT FOR SCA/CEN

E.O. 12958: N/A

TAGS: [ECON](#) [EINV](#) [ENRG](#) [ELTN](#) [PREL](#) [TI](#) [IR](#)

SUBJECT: IRAN'S ROLE IN TAJIKISTAN: LIMITED BUT INCREASING?

REF: A. DUSHANBE 954

[1](#)B. DUSHANBE 021

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[1](#)1. (SBU) Summary: After a slow start, Iran has become a major economic player in Tajikistan. The vast bulk of Iranian investment in Tajikistan is direct state loans and grants for major infrastructure projects, including the Sangtuda-2 hydropower station, the Istiqlol tunnel, and several highway segments. The Tajik government has prioritized energy and road projects that help break its transit dependence on unfriendly neighbor Uzbekistan. For its part, Iran is interested in gaining a foothold in the Central Asian market. Despite the use of Iranian companies on the major government-funded projects, Iranian trade with and private investment in Tajikistan is modest. Iranian companies are involved in agriculture, food production, and construction. Iran's efforts to establish closer political and cultural ties with Tajikistan have been more tentative. Although the countries share linguistic and cultural ties, there remain vast differences in religion and mentality. End summary.

FOCUS REMAINS ON ROADS AND POWER

[1](#)2. (SBU) Although the Islamic Republic of Iran was one of the first countries to acknowledge Tajikistan's independence in January 1992, until recently it has played only a modest role in Tajikistan's economy. In recent years, however, Iran has become involved in several large-scale infrastructure projects, and now ranks as the second-largest foreign investor in Tajikistan, after China (ref A). The government of Tajikistan has prioritized investment in its energy and transport sectors, in part to decrease its dependence on neighboring Uzbekistan, with which it has very poor relations. At the moment, all major rail, road, and electricity transmission lines to Tajikistan pass through Uzbekistan, which frequently has demonstrated a willingness to block supplies for little or no reason (ref B). Iran is responding to this priority by funding the construction of the Sangtuda-2 hydropower station, the Istiqlol Tunnel, and a series of road segments.

[1](#)3. (SBU) Iran's single largest investment in Tajikistan has been its US \$180 million contribution to the construction of the Sangtuda-2 hydropower station on the Vakhsh River. The 220-Megawatt station's two turbines are scheduled to become operational in late 2011, on the twentieth anniversary of Tajikistan's independence. The government of Tajikistan invested \$40 million of its own funding in the project, which is being built by the Iranian firm Farob under a Build, Operate,

Transfer arrangement. Iran will control Sangtuda-2 for the first 12.5 years, during which it can sell electricity to any buyer it wishes, whether inside or outside of Tajikistan. Like the massive Roghun hydropower project, the construction of Sangtuda-2 began during the Soviet era but halted after Tajikistan's independence. The Iranians first expressed interest in the project in 1995, but due to the civil war and other delays construction did not begin until February 2006. During bilateral discussions in March 2008, Iranian Foreign Minister Manouchehr Mottaki emphasized Iran's interest in linking the Iranian and Tajik national grids to increase the capacity of both countries to deal with spikes in consumption. (It will be some time before the grids are linked, however. New transmission lines bypassing Uzbekistan would have to be built through Afghanistan.) Mottaki also expressed interest in having Iranian companies invest in two small-scale hydropower projects: Shurob on the Vakhsh River and Ayni on the Zerafshan River.

14. (U) The second largest Iranian-funded project in Tajikistan is the Istiqlol tunnel, on the highway connecting the country's two largest cities, Dushanbe and Khujand. The tunnel not only shortens the travel time by as much as five hours, but it allows for year-round transit. The previous route involved a tortuous road over 3,373-meter Anzob pass that was open only 6 months a year. The tunnel, which is being built by the Iranian firm Sobir, is being funded by a US \$21 million preferential loan and a \$5 million grant from the Iranian government. The Tajik government provided \$14 million in its own funding. Although there have been two grand openings for the Istiqlol Tunnel -- in June, 2006 and again in July 2007 -- it is still not fully operational. The tunnel is often closed, and there are frequent problems with flooding, ventilation, and lighting. The most recent closure occurred at the beginning of August, for unspecified roadwork; the tunnel is not scheduled to reopen until October. After a 2008 visit by President Rahmon to Iran, President Ahmadinejad promised to provide an additional U.S. \$6 million to enable ventilation, lighting, and other improvements

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in the tunnel. According to media reports, however, Iran has so far only delivered \$1 million of the planned total.

15. (SBU) Note: Embassy staff have experienced many of the tunnel's shortcomings. During a March visit the road surface was coated with a thick sheet of ice, pitted by craters as deep as two feet. Several cars that had skidded out of control and collided with each other or the tunnel walls littered the roadway. By May the ice had been replaced by a torrent of running water, high enough that an embassy vehicle began floating near the northern entrance to the tunnel. The journey through the tunnel was made more hazardous by rebar and other sharp obstacles jutting out from the tunnel floor. By June much of the road surface had improved. End note.

16. (U) Despite the problems with Istiqlol, Sobir won another tender in October 2007 to work on a portion of the Shagon Zighar road linking Kulob in Khatlon Province with Darvaz in Badakhshon. The \$46 million project, being funded by the Islamic Development Bank, is a significant part of the upgrade of the principal highway linking Dushanbe with the eastern parts of Tajikistan, known as the Dushanbe-Kulyab-Darvaz-Khorog-Kulma-Karakorum highway. The portion under construction weaves through some of the most difficult terrain in the country.

EVEN BIGGER PROJECTS UNDER DISCUSSION

17. (U) In June 2003, Tajikistan, Afghanistan, and Iran signed a trilateral protocol preparing for rail passenger and cargo transfer from Tajikistan through Afghanistan to Iran. In May 2007, President Rahmon made a proposal to President Ahmadinejad to attract Iranian companies to begin constructing a railroad from Kolhozabad, Tajikistan, to Meshhed, Iran, via Nizhniy Pyanj on the Tajik-Afghan border, Kunduz, Mazar-i-Sharif, and Herat. He also proposed the establishment of several free economic zones in Tajikistan to support international trade. Some of the

groundwork for establishing this route may already be underway. In March of this year, President Rahmon launched construction of the U.S. \$130 million Vahdat-Yovon railway. So far the project is being funded entirely by the Tajik State Rail Company, although the government hopes to attract foreign investment. Local media have reported that construction has also begun to connect Kolhozabad to Nizhniy Pyanj. Taken together, the new routes would link Dushanbe to the Afghan border. On the other side of Afghanistan, the rail line linking the Iranian city of Khavaf with Herat will reportedly reduce transit costs between the two countries five-fold. According to the Iranian Ministry of Public Affairs, building the railway through Afghanistan to connect Iran with Tajikistan will cost some US \$4 billion, or \$2 million per kilometer.

18. (U) Iran has expressed tentative interest in investing in the giant Roghun hydroelectric project. Earlier this year, Russian President Medvedev made statements appearing to favor Uzbekistan's position that Roghun fails to take into account downstream countries' interests. Local critics point out that Uzbekistan promptly promised to provide cheap gas to Russia, suggesting a quid pro quo. During a February press conference in Dushanbe, Iranian Ambassador Ali Ashghar Sherdust said Iran was interested in helping with Roghun.

#### TRADE AND DIRECT INVESTMENT

19. (U) Figures for Iranian-Tajik trade are somewhat inconsistent. According to Iranian sources, bilateral trade between Iran and Tajikistan has risen from US \$40 million in 2000 to US \$140 million in 2007, making Iran one of Tajikistan's top trading partners. Other sources report that the trade exchange amounted to \$250 million in 2008, due primarily to increased cotton exports to Iran. For the period from January to April 2009, trade between the two countries reportedly amounted to US \$36.3 million. Iranian companies have invested primarily in Tajikistan's food, power, and pharmaceutical sectors. According to official statistics there are 52 Tajik-Iranian joint ventures registered in Tajikistan and over 20 Iranian companies currently operating in areas such as livestock farming, agricultural production and detergent manufacturing. Iran exports food, construction materials, detergents, and carpets to Tajikistan while importing cotton.

110. (U) Iran has organized several trade fairs in Tajikistan promoting Iranian foodstuffs, construction materials, and agricultural equipment, among other items. Iranian and Tajik

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companies have implemented several joint ventures, including the Tojiron tractor manufacturing plant in Dushanbe; the Maslojirkombinat vegetable oil factory, also in Dushanbe; the Pors-Murgh chicken breeding facilities in Qairoqqum, Sughd province, and Sarband, Khatlon province; the Avicenna mineral water and beverage production company in Hissar, west of Dushanbe; and a planned joint venture to produce energy-saving lightbulbs.

111. (SBU) According to statistics provided by Toghaimurod Hamdam, Chief of the Investments and Economic Reforms Department in the Presidential Administration, Iranian companies are modest investors in the Tajik economy. During the first half of 2009, Iranian companies invested only \$1.0 million in Tajikistan, putting Iran in sixth place overall, behind Russia (\$39.2 million), Kazakhstan (\$25.8 million), the Netherlands (\$8.9 million), China (\$5.7 million), and the United Kingdom (\$5.5 million). In 2007 and 2008, Iran was also outside of the top investors.

#### CULTURAL TIES AND OTHER SUPPORT

112. (SBU) Iran's role in Tajikistan is amplified to some extent by its linguistic and cultural similarities. Tajikistan is the only Persian-speaking country among the five former Soviet Central Asian republics (though the numerous Russian loanwords in common Tajik speech highlights the historical differences

between the two countries). According to some local accounts, a recent draft law establishing Tajik as the official language was intended to balance Russian influence in the country by strengthening ties with Iran. The leaders of Iran, Tajikistan, and Afghanistan frequently discuss the creation of a Persian economic and political bloc, although few concrete steps have so far been taken. Rahmon has suggested expanding cultural cooperation through the establishment of a joint television and radio station in Dushanbe, although the project remains unfunded. Iran hosted an educational exhibition in early July in Dushanbe, at which 40 Iranian educational institutions, research centers, and industrial parks displayed their achievements. According to the Ministry of Education, under a bilateral agreement, over 630 Tajik students are studying in Iran and well over 950 Iranians are studying in Tajikistan.

¶13. (U) Iran has sought to cement ties with Tajikistan by providing humanitarian assistance. During the Tajik civil war, Iran was one of the major providers of humanitarian aid to Tajikistan, through the Iranian Red Crescent Society. Iran was also one of the first countries to provide assistance to Tajikistan during the energy crisis of winter 2007-2008. Tehran delivered US \$4 million in aid, including 36 train cars of fuel oil, 23 cars of kerosene, and 20 cars of diesel. The Iranian Red Crescent Society also provided 20 tons of humanitarian aid such as medicines, blankets, electric equipments, heaters, etc. Some Iranian aid is delivered through the Khomeini Fund, which has an office in downtown Dushanbe. According to contacts, the fund provides assistance to poor Tajik families, including funding mass wedding ceremonies for several dozen brides and grooms.

¶14. (SBU) Comment: A good deal of Tajikistan's interest in Iran can be seen as an effort to balance Russian and Uzbek influence. Tajikistan remains heavily dependent on the two countries: despite increasing imports from China, the majority of Tajikistan's food and finished products comes from Russia, and Uzbekistan exercises a chokehold on fuel imports and freight traffic. To the extent that Tajikistan can develop viable transportation and trade links with Iran and China, it can reduce this reliance. But Central Asia is a long way from having a Persian bloc. Despite public shows of solidarity between Iran, Afghanistan, and Tajikistan, the three countries may share more differences than similarities. Sunni Tajikistan shares few religious connections with Shia Iran, Soviet-raised Tajik leaders find little in common with the religiosity of their Iranian counterparts, and they fear the lawlessness and insecurity they perceive in Afghanistan. End comment.  
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